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Logan should lock in 'green power' rates

By Cathy L. Hartman, Edwin R. Stafford, and Christine Watson

We applaud Logan City Light and Power's consideration to purchase wind energy from the new Pleasant Valley Wind Energy Facility near Evanston, Wyo. Wind power is clean, increasingly cost-effective, and good for Logan's future.


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We would like to propose that the city consider offering Logan customers a "fixed green power rate" option to encourage wind energy adoption and protect customers from future rate hikes and surcharges associated with price-volatile fossil fuels. This will further stimulate renewable energy development in the region.

Because wind energy is relatively new, it currently costs slightly more. Logan city is seeking to purchase wind energy from Pleasant Valley for $48.11 per megawatt hour (MWh), and according to Jay Larsen, interim director of Logan City Light and Power, the city has budgeted energy costs this year for about $42 per MWh. What makes wind power attractive, however, is its price stability. Because wind power costs are derived largely from the upfront construction costs of wind parks and don't rely on price-volatile fossil fuels, wind prices are predictable and unchanging.

Logan is considering a contract that would lock in the $48.11 rate for 25 years. According to Larsen, while federal hydropower costs the city only $22 per MWh, coal-fired electricity costs Logan between $40 to over $50 per MWh, and price-volatile natural gas-fired electricity prices have reached $60 per MWh — three times the price from just a few years ago!

Since hydropower is in short supply because of the drought and fossil fuel prices are likely to continue upward, Logan's wind purchase could hedge inflation and risk. Research indicates that growing wind power capacity in America has reduced the need for natural gas-fired electricity, helping to ease pressure on natural gas prices. In short, diversifying Logan's energy mix with wind will be a smart move economically!

According to the Herald Journal, with Logan's wind energy purchase, the city is also considering a green power option for Logan power customers who may elect to purchase a certain amount of wind power at a slight price premium each month. Utah Power and PacifiCorp have a similar program called "Blue Sky" where subscribers pay $1.95 for each "block" of 100 kilowatt-hours (kWh) of renewable energy that is added to the power supply grid each month. To date, over 6,000 households and over 150 businesses, cities, and organizations across Utah subscribe to Blue Sky, and the program is credited for stimulating market demand for renewable energy development, primarily in Wyoming.

A set green premium, however, can send an inaccurate price signal to end-users about the true cost of renewable energy. Logan has the opportunity to purchase wind energy for less than the cost of natural gas-fired electricity, but under a green premium pricing program, wind energy would cost Logan customers more, giving the false impression that renewable energy will always be more expensive than other energy sources.

This could hamper public support for green energy development. Consequently, Logan should adopt a fairer green pricing program that better reflects renewable energy's benefits to encourage adoption.

Given that Logan's wind power costs will not change for the duration

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of the supply contract, we propose that the utility sell 100 kWh "blocks" or "shares" of that purchase to Logan residents and businesses at a fixed rate for as long as customers subscribe to the green power program. This would mean that although subscribers to Logan's green power program would pay an initial premium, they would enjoy the peace of mind that their electricity rates for their green power shares would never increase for the entirety of Logan's supply contract. Since costs of other fossil fuel-fired electricity sources are destined to increase over that time, customers would view the green power option as " insurance" against future rate hikes and volatility.

Price stability is valued by customers, and several utilities across the country already offer fixed green power rate options. Colorado's Xcel exempts wind customers from rate increases when natural gas prices rise and from pollution control equipment surcharges on coal-fired plants. In January, Austin (Texas) Energy is scheduled to raise its standard power rate to virtually match its existing fixed "Green Choice" power rate, and as natural gas prices continue to climb, the fixed Green Choice rate could become the cheaper option.

Offering Logan's green power as a fixed rate option would better demonstrate wind energy's potential economic appeal and could encourage demand. Businesses, in particular, find fixed rate programs attractive because they can reduce long-term cost variability and risk. As end-customers choose renewable energy options, it could help further development of price-stable renewable energy, perhaps even in Utah. Utah has significant untapped wind resources for commercial development (see www.wind.utah.gov), and wind park construction in Utah's rural communities would create jobs and entrepreneurial opportunities for the state's ailing steel and high-technology sectors. In turn, this could boost tax revenues for schools and public services. In short, wind power development would be a win-win for Utah's economy and environment. Wind is America's fastest-growing energy source, and Logan's wind power purchase will further its development in the Intermountain region. A fixed green power rate option would reward Logan residents and businesses that choose to pay extra today with the peace of mind of price stability in the face of spiraling power rates tomorrow.

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